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Report Highlights:

Canada Signs Free Trade Agreement with Panama * Adverse Weather Lowers Canadian Wheat Forecasts for Crop Year 2009/2010 * Canadian Barley Forecasts Lowered, Forage Shortages Looming * The Canadian Food Inspection Agency Responds to Critics of the SmartStax Corn Authorization * Canadian Organic Food Annual Report Now Available * Grain and Feed FAS/USDA Lock-Up Report Now Available

General Information:

CANADA SIGNS FREE TRADE AGREEMENT WITH PANAMA: The Canadian press is reporting that Prime Minister Stephen Harper will be signing a free-trade agreement with Panama on August 11, 2009. While Canada's trade with Panama is small (Canadian merchandise exports to Panama were \$128 million in 2008), Panama's fast growing economy (it grew 9.2% in 2008) makes it an attractive partner in Canada's goal of deepening its trade relationships in the Americas. Once Parliament ratifies the agreement, more than 90 per cent of tariffs on Canadian exports will be eliminated. This free trade agreement is in line with Canada's strategy to pursue bi-lateral trade deals more aggressively. A Canada-Peru free trade agreement came into force on August 1, 2009 (more information on this trade deal can be found at the following address:

http://w01.international.gc.ca/MinPub/Publication.aspx?lang=eng&publication_id=387444&docnum=214

), and Canada is currently pursuing bilateral free-trade deals with the European Union, India and several other Central American and Caribbean countries.

ADVERSE WEATHER LOWERS CANADIAN WHEAT FORECASTS FOR CROP YEAR

2009/2010: The Canadian Wheat Board (CWB) and the Market Analysis Division of Agriculture Canada released their newest wheat outlooks for the crop year 2009/2010. Both agree that the cool spring temperatures which got crops off to a late start and the drought in the provinces of Alberta and Saskatchewan which has stressed the plants will ultimately result in depressed yields. Alberta and Saskatchewan received about 50% of the normal amount of precipitation this growing season. Canadian Wheat Board officials have lowered their estimates for all wheat to 20.0 million metric tonnes (MMT), of which 16 MMT is wheat and 4.2 MMT is durum wheat. Agriculture Canada's Market Analysis Division is predicting a slightly rosier picture and estimate all wheat yields at 22.5 MMT, wheat (excluding durum) would account for 18.3 MMT, and durum wheat 4.2 MMT. The newest outlook from the Market Analysis Division has actually increased the yield estimates for non-durum wheat from 2.40 tons per hectare in its outlook one month ago to 2.47 ton per hectare. This may be based on the optimism expressed in the Saskatchewan crop reports which suggests that the Saskatchewan crop, thanks to much needed precipitations that finally arrived, will be close to normal levels if they get a clear fall and the frost holds off.

CANADIAN BARLEY FORECASTS LOWERED, FORAGE SHORTAGES LOOMING: The Canadian Wheat Board and the Market Analysis Division of Agriculture Canada have released their newest predictions for the barley outlook. The Canadian Wheat Board is estimating that the barley harvest this growing season will be approximately 8.6 MMT. The Western Barley Wheat Growers, a non-profit producer organization, take some exception to this estimate since, they argue, it only takes into account barley production from producers that hold permit books and deliver to the board. Nevertheless, the Market Analysis Division of Agriculture Canada also has downgraded its barley outlook for crop year 2009/2010 to 8.7 MMT from its previous estimate in July of 8.8 MMT. According to recently released forage supply and forage potential maps compiled by Agriculture Canada's National Agronomic Information Service (NAIS), the feed supply is becoming more and more of an issue in Western Canada. Forage supply shortages are already occurring in most of central Alberta. Forage supply shortages are also anticipated for most of Saskatchewan. This has led many livestock producers to announce plans to send their animals to the feed lots sooner as a risk management strategy. The fact that wheat quality is likely to be affected by the adverse weather conditions may help livestock producers. As a result of the weather conditions, a greater amount of wheat than average will likely be downgraded to feed quality wheat. Current estimates are that between 13% and 15% percent of the wheat crop will be graded as feed wheat (the usual average is between 8% and 10%).

THE CANADIAN FOOD INSPECTION AGENCY RESPONDS TO CRITICS OF THE SMARTSTAX CORN AUTHORIZATION:

The Canadian Food Inspection Agency (CFIA) has responded to accusations by the Canadian Biotechnology Action Network (CBAN) that Canadian regulators failed to follow proper procedure when the CFIA approved SmartStax Corn, a novel seed that combines eight different herbicide and insect protection genes. When it was announced a few weeks ago the SmartSTax Corn had completed regulatory authorization in both the United States (Environmental

Protection Agency, EPA) and Canadian (Canadian Food Inspection Agency, CFIA), the Canadian Biotechnology Action Network was critical of the fact that Health Canada had not done a study of the potential health impact of the eight-trait corn stating that there might be unintended consequences when the traits are combined and accused CFIA of bypassing existing scientific assessment processes. A CFIA official denied this accusation stating that decision documents are not required for plants created by cross-breeding previously approved biotech crops and that the CFIA is only required to post a notification of its approval. The notification is posted on the CFIA website and includes links to the decision documents on the previously approved traits. The notification is available at the following web-address :
<http://www.inspection.gc.ca/english/plaveg/bio/bt/smartstaxe.shtml>

CANADIAN ORGANIC FOOD ANNUAL REPORT NOW AVAILABLE: The Canadian Organic Food Annual is now available on the Foreign Agricultural Service (FAS) Attaché Reports website. The report highlights state that with the growing availability of industry data, and given the significant growth in imports between 2007 and 2008, it is now estimated that the retail value of organic food in the Canadian market reached C\$2.1 – 2.6 billion in 2008. The main categories of organic food sales in supermarkets are: fresh fruits and vegetables at 41%, beverages at 17% and prepared foods at 14% with much of the remainder made up of packaged organic foods. The market is reportedly growing at 15-20% per year with domestic production increasing at an estimated 4%. With this, by some estimates, up to 80% of organic fresh produce consumed in Canada is imported. The vast majority of Canada's imported organic produce comes from the United States, which accounts for approximately 74% of total organic imports. New organic products regulations will make certification in accordance with the National Standard for Organic Agriculture mandatory for all organic products as of June 30, 2009. Although Canada has had this organic standard since 1999, it had been voluntary and not supported by regulation. Now new mandatory standards are in place. On June 17, 2009, the United States and Canada jointly announced that the two countries had reached an organics equivalency agreement, the first one of its kind. The equivalency agreement follows a review by both nations of the other's organic certification program and a determination that products meeting the standard in the United States can be sold as organic in Canada, and vice versa. The full report is available at the following web-address:
[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Organics%20Annual Ottawa Canada 7-8-2009.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Organics%20Annual%20Ottawa%20Canada%207-8-2009.pdf)

GRAIN AND FEED FAS/USDA LOCK-UP REPORT NOW AVAILABLE: The Foreign Agricultural Service (FAS) division of the United States Department of Agriculture (USDA) has released its most recent outlook for Canadian grains and Feed. Report highlights state that Canadian wheat, barley, corn and oats production for 2009/2010 is forecast to be 43.7 million metric tons (MMT), a 21% decrease from 2008/2009 levels of 55.3 MMT. Anticipated lower yields and higher abandonment rates caused by poor weather conditions are the main factors contributing to this decrease. Wheat exports are forecast down 11% in 2009/2010 to 17 MMT due to lower supplies and slightly lower world demand coupled with continued strong world wheat supplies. Barley exports for marketing year 2009/2010 are forecast at 1.35 MMT, a 4% decrease from the previous year's level. This is a decrease is due to lower domestic supplies and the demand for feed barley from the United States remaining low due to plentiful United States corn supplies. Imports of corn are expected to return to average import levels of 2.4 MT due to reduced domestic supplies and an increased demand from western farmers who will be faced with a reduced supply of feed barley due to poor weather conditions. Despite a reduction in supplies, the international oats market remains flush and exports are expected to decrease further to 1.6 MMT. The

full report is available at the following web-address:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/LOCK-UP%20REPORT_Ottawa_Canada_7-30-2009.pdf